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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
25 August 1954

State Dept. review completed

TO: Deputy Director (Intelligence)

SUBJECT: 1954 Harvest Prospects in Soviet Orbit and Their
Implications *

1. The 1954 Soviet grain harvest will be about equal to last year's, the lowest since 1949, according to preliminary estimates. A successful expansion of output on the "new" and reclaimed lands of Kazakhstan and Siberia should just about offset below-normal crops in Western USSR. Similarly, the total harvest of the East European Satellites will be no larger than that of 1953, a relatively poor year, and grain output will probably be lower. No export surpluses are expected in the Satellites this year. In China, the second-worst floods of the 20th century may reduce total food output 8 to 9 percent below last year's level, probably causing famine in Central China, and possibly resulting in the failure to fulfill Five-Year Plan goals for industry as well as agriculture.

These estimates suggest that the Orbit has been unsuccessful in its efforts during the first full year since Stalin's death to increase agricultural output significantly. The following speculation attempts to answer several of the many questions concerning Soviet policy and the Soviet regime itself which will face us if these estimates are confirmed.

2. WHAT WILL HAPPEN TO THE SOVIET DRIVE TOWARD INCREASING WORKERS' INCENTIVES, AND THEREBY PRODUCTIVITY, IF A MAJOR FACTOR IN THAT DRIVE--THE AGRICULTURAL PROGRAM--IS UNSUCCESSFUL IN THE FIRST YEAR OF ITS OPERATION?

Unless the USSR shows an increased willingness to export food, either to other Orbit nations or to the West, the Soviet population should have a minimum but adequate supply of food. It is believed that significant quantities of grain were released from reserves to augment the harvest last year, and the regime will have to do so this year in order to maintain grain supplies at last year's level. Available food supplies may be distributed more evenly throughout the USSR and throughout the year, due to changes in state procurement and trading practices. This slight improvement in distribution and the demonstrable efforts of the government to attain increased

*A more detailed analysis by the Office of Research and Reports concerning the bloc's 1954 harvest prospects is appended to this memorandum.

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output next year will probably moderate the population's dissatisfaction at not receiving the promised improvement in supplies.

In any event, the new agricultural program will probably continue under full throttle. Evidence of this is already available in the recent expansion of the "new lands" program. Without the land reclamation scheme, this year's agricultural output would have been a good deal less than last year's. Except for the uncontrollable factor of bad weather, agricultural output would have been significantly higher than in 1953.

3. ARE SERIOUS STRAINS WITHIN THE TOP SOVIET LEADERSHIP LIKELY TO RESULT FROM FAILURE TO ATTAIN LARGE INCREASES IN THIS YEAR'S HARVEST?

Failures in this year's harvest, to the extent expected, will probably not significantly weaken the position of any top officials in the Soviet hierarchy, including Khrushchev.* Such failures, however, while not providing the prime motivation for any political action, could be utilized as the ostensible reason for moves in a power struggle.

It should be emphasized again that except for the "new lands" program the USSR's agricultural situation would be much worse than it is--a fact which should be favorable to the new program's administrators. The relatively poor harvest will be a result of weather conditions in the traditional agricultural regions, rather than faulty implementation of the regime's new agricultural program.

Excluding the element of weather, most aspects of the new program carried out to date have been successful, according to official reports. The plans for transferring technically-trained manpower to agriculture, increasing the supply of tillage machinery, and expanding spring sowing have all been fulfilled. The harsh and frequent criticism the Soviet press has directed toward each phase of the program has probably been intended to anticipate and prevent serious difficulties, and should be regarded as an instrument of effective administration rather than as an admission of failure.

*Since the spring of 1954, publicity connecting Khrushchev with the agricultural program has fallen to a very low level. He was not identified with the Central Committee Plenum on agriculture in late June 1954, nor with the opening of the agricultural exhibition in Moscow on 1 August.

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4. WHAT WILL HAPPEN TO THE BLOC'S DRIVE TO EXPAND EAST-WEST TRADE IF INTERNAL AGRICULTURAL PERFORMANCE FAILS TO IMPROVE AS PLANNED?

Faced with expanding domestic requirements for agricultural products which have not been matched by increases in internal production, the bloc states will probably continue to shift their export program away from the traditional pattern. Instead of relying on agricultural products as the primary foreign exchange earner as in the past, the Orbit will push sales of an alternative line of exports--manganese, chrome, petroleum, and precious metals. Even so, the bloc will probably have difficulty in marketing these products in sufficient volume to cover the dramatic upsurge in East-West commerce called for by Soviet propaganda. The inability of the bloc to resume traditionally substantial exports of foodstuffs to Western Europe may be expected to hinder a permanent large-scale expansion of trade with that area. There have, in fact, been recent reports of negotiations by Czechoslovakia, Hungary and Poland to purchase Argentine corn.

Shortcomings in agriculture could serve indirectly, however, to support the Orbit's propaganda line on peaceful co-existence and relaxation of international tensions. While increased purchases of consumer goods from the West have been designed to counteract in small measure domestic deficiencies which bar fulfillment of the regime's pledges to its populace, the bloc has nevertheless exploited this development (and will undoubtedly continue to do so) as evidence of its genuine interest in peaceful and fuller trade.

5. WILL INTRA-BLOC ECONOMIC RELATIONS BE SEVERELY STRAINED AS A RESULT OF DEFICIENCIES IN FULFILLING AGRICULTURAL PRODUCTION GOALS?

While this aspect will constitute a major problem for bloc leaders, speculation on the subject is not presently feasible. During the present year, for example, the USSR has been well behind in deliveries of fodder grains to the GDR and this has placed the East Germans in difficult straits. China, where substantial losses in the rice crop are anticipated as a result of flood damage, still has a commitment to export 200,000 tons of rice to the USSR during the coming year. Further, the Tonkin delta, due to a bad season, is expected to be a rice deficit area this year, probably imposing a further demand on bloc rice supplies.

6. Assuming that the bloc crop situation develops along the lines of present indications, it appears that the policy

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makers of the bloc countries will be faced with a problem of apportioning their below-plan food resources in support of three major but competing objectives: (a) increasing domestic living standards and labor incentives; (b) expanding trade with the West; (c) supplying food deficit areas within the bloc.

It is not possible at this early stage to speculate meaningfully as to the precise impact this situation will have on the foreign and domestic policies of the Orbit states. While we cannot now predict which consideration will be given priority at the expense of others, we will watch the situation closely. This memorandum is submitted to apprise you of a developing situation of considerable potential intelligence significance.

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APPENDIX

PRELIMINARY ANALYSIS OF 1954 CROP CONDITIONS IN THE SOVIET BLOC*

I. The Soviet Union

Based on weather and crop information as of 15 August 1954, prospects for the yields of major crops in the USSR vary from somewhat below to about the same as 1953. Due to a general increase in acreage of the important food and fiber crops, production will probably approach the 1953 level. The following regional discussion pertains mostly to grain.

The Ukraine has suffered from a major drought during the important stages of this year's crop development. Early growth of fall sown grains, hindered by a lack of summer and fall moisture, had not developed fully by the advent of winter. As a result of one of the coldest winters on record an abnormal amount of winter-kill of fall sown grains occurred, requiring extensive re-sowing this spring. A late spring coupled with subnormal reserves of soil moisture made both fall and spring sown grains vulnerable to poor growing conditions during the critical months of May and June. The combination of high temperatures and rainfall far below normal in late May and all of June created drought conditions seriously reducing grain yields. Agricultural officers of Embassy Moscow, after an extensive survey of crop conditions in the Ukraine, have estimated that crop yields will not exceed two-thirds of average.

In the Lower Don-North Caucasus, grain yields apparently vary from poor to good. The drought conditions affecting the Ukrainian grain harvest extend over into the Lower Don regions of Western and Northern Rostov and the Northern Kuban (Krasnodar Krai). Embassy observers indicate that the corn crop is probably a near failure in the Lower Don area near the Azov Sea and that small grain yields will be about one-half of average. Counterbalancing these poor yields are much better prospects for the rest of the

*This more detailed analysis of bloc crop prospects is presented because of the importance of the subject at this time. It has been prepared by the Office of Research and Reports, CIA.

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Kuban and North Caucasus area. As a whole, average yields for this important area will probably be about the same as 1953, but considerably below the excellent yields of 1952.

In Central European USSR the prospective grain yields are believed to be somewhat above average but about the same as last year. The Central European area in general is susceptible to poor harvesting conditions. If harvesting is prolonged due to inclement weather the actual yield may be lower than presently indicated.

In the Volga area yields of winter grains will probably be better than 1953. The Volga valley, together with West Siberia and the Northern parts of Kazakhstan are the regions most affected by the program initiated this year for the expansion of grain acreage. Although weather conditions over this area were variable during May, June, and July, it is believed that growing conditions have been generally good. Soil moisture accumulations were probably above average and many areas have had above normal precipitation during the growing season. The actual harvest yield will depend on the weather during late August and September which is often poor for harvesting. There is even the possibility of early snows in this area. Since the growth pattern is somewhat late this year, early fall weather conditions may determine the size of the crop.

II. The European Satellites

On the basis of weather and crop information available as of 15 August 1954, it is estimated that the 1954 yields of most crops will be less than 1953 for breadgrains, oats, barley, early vegetables and fruit. Warmer weather during the latter part of August and September is needed to raise yields of corn, root crops, late vegetables, and oil seeds over 1953 levels. For the satellites as an area this year is the third out of the past six that crop yields have been below average. Poland is the only country for which the grain outlook is more favorable than 1953. Bulgaria's yields are expected to be about the same as last year.

The fall of 1953 was characterized by below normal precipitation and temperatures. As a result fall plowing and sowing plans were underfulfilled. The lack of snow cover caused extensive damage to winter wheat and barley throughout most of the area. This condition plus the poor germination of some fall sown grain due to near drought conditions meant that reseeding was required in the spring.

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The Satellite governments, hoping for an early spring so as to complete the fall work and increase acreages devoted to spring crops, were given the opposite - a late spring. A cold dry spring set back field work as much as four weeks in some areas and retarded the development of fall and spring seeded crops. The late spring meant that a large amount of work had to be done in a shorter period of time. Except for Bulgaria, the Satellite governments announced later that this resulted in nonfulfillment of spring sowing and planting plans.

Normal temperatures and rains during June helped to revive the winter grains which had been suffering from cold dry weather throughout most of Eastern Europe. However, heavy rains and wind during the first decade of July and frequent rains during the remainder of the month created unfavorable harvesting conditions for small grains. Grain was lodged (flattened) and lowlands flooded along the Elbe and Danube. Based upon inadequate information, loss of crops from floods only amounted to a very small percent of total production. However, the violence of the rains which caused the floods created the most damage to crops. Mechanical harvesting has been handicapped and the lack of farm labor, particularly on collective and state farms, has delayed harvesting at a time when the grain is ripe. Heavy losses, and a reduction in the quality of the grain, can be expected under such conditions. In addition, because of the high moisture content of the threshed grain additional losses can be expected if the grain is not properly dried before storage.

The wet weather has set back the cultivation of corn and other row crops thereby creating a weeding problem. However, the precipitation was badly needed for late crops i.e., corn, potatoes, sugar beets, sunflowers and etc. It is too early to give a firm estimate on yields of late crops.

In summary it is estimated that the Satellite area taken as a whole is once again faced with a food shortage and an inadequate fodder supply to increase livestock herds necessary to alleviate the meat and animal fat shortage. The raising of agricultural production during the first year of the "new course" has not been successful as Mother Nature has once again thrown the "monkey wrench" into Communist planning.

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III. Communist China

The crop production situation in China is of special interest this year, largely because very bad floods will cause agricultural output to be far below normal. Fortunately for the Chinese, in view of later developments, the crop year of 1954 got off to a good start. In fact, as a result of favorable weather during the first four months of 1954 the 1953-54 winter crops harvest (41 million metric tons) are estimated to be about 8 percent greater than the winter crops harvest during the previous year.

Beginning in April and May and extending to the present time in some areas excessive rainfall along the South China Coast and in Middle and North China has caused serious flooding and flood control problems in eight provinces. These are Hupeh, Hunan, Anhwei, Chekiang, Kiangsi, Honan, Kiangsu and Shantung. All three of the great river basin areas of Middle and North China, the Yangtze, the Hui and the Yellow have been affected. By careful assessment of available material it is estimated that about 6-8 million hectares have been flooded in the Yangtze Basin, 2 million hectares in the Huai Basin and none in the Yellow River Basin. The above data are based on the assumption that the Yangtze flood is about the same magnitude and severity of the 1931 Yangtze flood and that flooding in the Huai Basin is approximately 40 percent as severe as in 1931.

The assessment of crop acreage inundation and resultant crop production loss is difficult to determine at this time. On the basis of 1.5 tons of production per hectare the estimated crop loss would be 12 to 15 million metric tons. This loss is about 10 percent of China's food crop production. While the winter crop results provide some offset and while the upper North China plain and Manchuria appear on the way to a much better crop production year than in 1953, the 1954 food production will probably be 9 to 12 million metric tons (or about 8 to 9 percent) below 1953.

This assessment of crop prospects for 1954 has several significant ramifications. Any one or all of the following problems confront the Communist regime. (1) Grain exports from China if maintained at 1953/54 levels, (1.08 million metric tons) will place greater than normal strain on available supplies. Any curtailment of exports or any

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imports to assist in feeding the population will increase payments problems for industrial goods imports. (2) The building up or maintenance of stocks will be deferred, probably for the second successive year. The Communist goal of building a strategic and/or emergency reserve of 16 to 20 million tons of grain by 1957 is one more year nearer failure. (3) The ability to support Communist Vietnam, itself subject to a bad crop year, will be curtailed. (4) The spring of 1953 and 1954 witnessed localized famines in various areas of China. These emergencies were met by the regime by shifting food from surplus to deficit areas and by the imposition of rationing in urban and some rural areas. The problem of famine is almost certain to reoccur and will probably be at its worst in the spring of 1955. This will be an especially acute problem as the flood areas are normally surplus food areas that have been supplying normally deficit food areas.

The above points suggest two probable conclusions: (a) the ability to develop the industrial sector of the economy at the planned rate, without further compounding the food problem, will be curtailed. This will be true in the short run, 1954/55, and can well result in the long-run failure to fulfill the Five Year Plan goals that terminate in 1957; (b) the capabilities for aggressive actions on the perimeters of the country, i.e., Korea and Indochina, will be reduced.

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